

WEEKLY ECONOMIC REVIEW

August 22, 2008

After swelling to 4.4% in June, Alberta's inflation rate cooled to 3.5% in July, only slightly above the national rate of 3.4%. Energy costs continued as the main driver of rising prices, as natural gas (+35.0%) and gasoline (+21.9%) posted the highest growth since July 2007. Excluding energy, inflation was 1.7% in Alberta and 1.6% nationally. Inflation in Alberta was tempered by lower prices for vehicles (-10.1%), furniture (-4.3%) and fresh fruit (-3.8%).

Retail sales in the province edged up in June, increasing 0.6% from May. In the first half of the year, sales increased by 1.8% compared to the same period in 2007. Nationally, retail sales grew 0.5% from May. The national increase was a result of a 4.2% increase in gasoline station sales, driven by higher gas prices. Taking into account price variations, retail sales volumes in Canada were actually down 0.4% from the previous month.

In the first 6 months of 2008, travel to Alberta by non-residents was essentially unchanged from the same period last year. Total trips of one or more nights to the province were up 0.7% through June, compared to a 4.1% decline nationally. High gasoline prices and the strong Canadian dollar have cut into the number of Americans crossing border as trips of one night or more are down 6.8% nationwide and 3.7% in Alberta. Conversely, Canadians are taking

↑	Cdn Dollar (US¢/C\$)	
	August 22, 2008	95.6
	August 15, 2008	94.3
	2008-09 YTD	98.3
↑	WTI Oil US\$/bbl	
	August 21, 2008	\$ 121.18
	August 14, 2008	\$ 115.01
	2008-09 YTD	\$ 124.90
↑	Nymex Natural Gas C\$/MMBtu *	
	August Contract	
	August 22, 2008	\$ 8.55
	August 15, 2008	\$ 8.46
	*Estimate based on Nymex Futures Market Price	

advantage of the strong loonie, taking 14.6% more trips abroad in the first six months of 2008 compared to the same period in 2007.

In July, housing starts in the U.S. dropped to their lowest level in 17 years, falling 11% from June. Compared to July 2007, starts were down 29.6% as depressed property values, tight credit conditions and record foreclosures continue to hammer the U.S. housing market. Foreclosure activity in July, measured by households receiving at least one foreclosure-related notice, increased by 55% from the same month last year.

Oil surged on Thursday, increasing by more than US\$6 to close at US\$121.18/bbl, its highest level since the beginning of August. The Canadian dollar strengthened on higher commodity prices, trading at 95.6US¢/C\$ by midday on Friday.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date ¹
Consumer Price Index (2002=100)	July			
Alberta	123.3	-0.6%	3.5%	3.6%
Canada	115.8	0.3%	3.4%	2.2%
Retail Sales (\$ millions) ²	June			
Alberta	5,180	0.6%	-3.2%	1.8%
Canada	35,950	0.5%	0.2%	4.5%
Wholesale Trade (\$ millions) ²	June			
Alberta	5,567	-3.4%	6.0%	7.6%
Canada	45,151	2.0%	3.3%	1.1%

Source: Statistics Canada. ¹Year-to-date compared to the same period in the previous year. ²Seasonally adjusted.

Alberta Finance and Enterprise